

NORTHWEST IOWA AREA SOLID WASTE AGENCY

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2016

NORTHWEST IOWA AREA SOLID WASTE AGENCY

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NORTHWEST IOWA AREA SOLID WASTE AGENCY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Mark Behrens	Chairman	Lyon County
Cheryl Hoye	Vice- Chair	Everly
Arlyn Kleinwolterink	Board Member	Sioux County
Scott Maggert	Board Member	Matlock
Les Brommer	Board Member	Sioux Center
Tom Farnsworth	Board Member	O'Brien County
Randy Lyman	Board Member	Sanborn
Brad Hindt	Board Member	Sheldon
Leroy DeBoer	Board Member	Osceola County
Arlyn Pedley	Board Member	Ocheyedan
Jerry Johnson	Board Member	Sibley
Dennis Thielvoldt	Board Member	Alvord
Bob Gerber	Board Member	Lester
Gary Horton	Board Member	Akron



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Northwest Iowa Area Solid Waste Agency:

Report on Financial Statements

We have audited the financial statements of Northwest Iowa Area Solid Waste Agency (the Agency) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design auditor procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability, the Schedule of Agency's contributions, and Notes to Required Supplementary Information- Pension Liability on pages 4 through 7 and pages 24 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Another auditor previously audited, in accordance with the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unqualified opinions on those financial statements for the nine years ended June 30, 2015.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Iowa Area Solid Waste Agency's internal control over financial reporting and compliance.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
November 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwest Iowa Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenues increased 2.4%, or \$53,205 from the fiscal year 2015 to fiscal year 2016.
- The Agency's operating expenses increased 26.2%, or \$264,970 from fiscal year 2015 to fiscal year 2016.
- The Agency's Net Position increased 19.7%, or \$1,017,742 from June 30, 2015 to June 30, 2016.

USING THIS ANNUAL REPORT

The Northwest Iowa Area Solid Waste Agency is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Northwest Iowa Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Position presents information on the Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Agency's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, Net Position may serve over time as a useful indicator of the Agency's financial position. The Agency's Net Position for fiscal year 2016 totaled \$6,187,039. This compares to \$5,169,297 for fiscal year 2015. A summary of the Agency's Net Position is presented below.

STATEMENT OF NET POSITION		
	June 30,	
	2016	2015
Current Assets	\$ 4,437,386	\$ 3,493,904
Restricted Investments	1,879,986	1,732,911
Capital Assets at cost, less accumulated depreciation	1,735,144	1,765,940
Total Assets	8,052,516	6,992,755
Deferred Outflows of Resources	92,309	38,977
Current Liabilities	144,683	124,817
Long Term Liabilities	1,736,527	1,646,115
Total Liabilities	1,881,210	1,770,932
Deferred Outflows of Resources	76,576	91,503
Net Position:		
Net Investment in Capital Assets	1,735,144	1,765,940
Restricted	554,531	366,439
Unrestricted	3,897,364	3,036,918
Total Net Position	\$ 6,187,039	\$ 5,169,297

The unrestricted portion may be used to meet the Agency's obligations as they come due. The Agency's restricted assets are restricted for closure and post-closure care and for tonnage fees due to the State of Iowa. The remaining Net Position is restricted for closure and post closure care and restricted tonnage fees. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The amount invested in capital assets (e.g. land, buildings and equipment) are resources allocated to capital assets.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for gate fees from accepting solid waste and farm income. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest and dividend income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues and expenses for the years ended June 30, 2016 and June 30, 2015 is presented on the following page:

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OPERATING REVENUES

	2016	2015
Gate Fees	\$ 2,067,984	\$ 2,208,561
Recycling Fees	159,759	178,956
Household Hazardous Materials	12,308	13,309
Farm Income	1,386	3,973
Rent Income	18,000	-
Total Operating Revenues	<u>2,259,437</u>	<u>2,404,799</u>

OPERATING EXPENSES

Salaries	538,323	554,964
Payroll Tax Expenses	32,975	33,177
Directors and Management Fees	3,365	3,147
Insurance	42,981	44,563
Water & Soil Sample Expense	20,685	26,489
Disposal Fees	13,792	13,633
Leachate Disposal Expense	25,360	27,693
Repairs and Maintenance	87,037	81,132
Gravel	26,832	11,340
Custodial Expense	1,800	1,650
Fuel	59,513	99,064
Equipment Rent	1,500	19,520
HHM Expense	16,852	17,898
HHM Education & Advertising	3,687	403
Education and Training	5,875	3,524
Tire Disposal Fees	13,970	8,055
Depreciation	146,812	171,390
Utilities	15,820	15,680
Engineering and Hydrological Study	26,668	104,079
Tonnage Fees	125,054	194,596
Advertising	1,127	1,013
Office Supplies and Services	5,533	5,767
Professional Services	21,932	85,319
Closure and Postclosure Care Costs	39,090	(317,864)
Miscellaneous Expenses	301	251
Total Operating Expense	<u>1,276,884</u>	<u>1,206,483</u>
Operating Income	982,553	1,198,316

NONOPERATING REVENUES

Interest Income	34,875	30,720
Dividend Income	314	274
Total Non-Operating Revenues	<u>35,189</u>	<u>30,994</u>

EXTRAORDINARY EXPENSE

Settlement of Lawsuit with DNR	<u>-</u>	<u>(100,000)</u>
Change in Net Position	1,017,742	1,129,310
Net Position Beginning of Period	<u>5,169,297</u>	<u>4,039,987</u>
Net Position End of Period	<u>\$ 6,187,039</u>	<u>\$ 5,169,297</u>

The Statement of Revenues, Expenses, and Changes in Net Position reflect a positive year with an increase in the Net Position at the end of the fiscal year.

In fiscal year 2016, operating revenues decreased by \$145,362, or 6%, primarily a result of a decrease in poultry disposals. Operating expenses increased by \$70,401, or 5.8%. The increase in operating expenses was due to an increase in closure and post closure costs and funding future cell construction activity.

Statement of Cash Flows

The Statement of Cash Flow presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and farm income reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits, Iowa Public Agency Investment Trust, and Interest Income.

CAPITAL ASSETS

At June 30, 2016, the Agency had \$1,735,144 invested in capital assets, net of accumulated depreciation of \$3,116,263. Depreciation charges totaled \$146,812 for fiscal year 2016. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

ECONOMIC FACTORS

Northwest Iowa Area Solid Waste Agency slightly improved its financial position during the current fiscal year. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities at the Agency require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and post closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- Continued Iowa Department of Natural Resources' regulatory changes in permit compliance.

The Agency is planning cell construction and closure of cells in 2017. The construction activity will have a dramatic increase in expenses and cash flow. The Agency will maintain a close watch over resources to maintain the agency's ability to react to current and unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Northwest Iowa Area Solid Waste Agency, 4540 360th Street, Sheldon, Iowa.

BASIC FINANCIAL STATEMENTS

NORTHWEST IOWA AREA SOLID WASTE AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 2,005,439
Cash and Cash Equivalents - Restricted	119,819
Certificates of Deposit	1,179,811
Investments	892,089
Receivables:	
Accounts Receivable	187,768
Accrued Interest	9,178
Prepaid Expenses	43,282
Total Current Assets	<u>4,437,386</u>

Noncurrent Assets

Restricted Assets:	
Investments - Closure and Postclosure Care	1,879,986
Capital Assets (Net of Accumulated Depreciation)	1,735,144
Total Noncurrent Assets	<u>3,615,130</u>
Total Assets	<u>8,052,516</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension Related Deferred Outflows	<u>92,309</u>
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LIABILITIES

Current Liabilities

Accounts Payable	93,300
Salaries and Benefits Payable	1,495
Accrued Solid Waste Fee	35,373
Accrued Property Taxes	1,152
Compensated Absences	13,363
Total Current Liabilities	<u>144,683</u>

Long Term Liabilities

Estimated Liability for Landfill Closure and Postclosure Care	1,445,274
Net Pension Liability	291,253
Total Long Term Liabilities	<u>1,736,527</u>
Total Liabilities	<u>1,881,210</u>

DEFERRED INFLOWS OF RESOURCES

Pension Related Deferred Inflows	<u>76,576</u>
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NET POSITION

Net Investment in Capital Assets	1,735,144
Restricted For:	
Tonnage Fees Retained	119,819
Closure and Postclosure Care	434,712
Unrestricted	3,897,364
Total Net Position	<u>\$ 6,187,039</u>

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

OPERATING REVENUES

Gate Fees	\$ 2,067,984
Recycling Fees	159,759
Household Hazardous Materials	12,308
Farm Income	1,386
Rent Income	18,000
Total Operating Revenues	<u>2,259,437</u>

OPERATING EXPENSES

Salaries	427,345
Payroll Tax Expenses	32,975
Pension Expense	19,376
Directors and Management Fees	3,365
Insurance	42,981
Employee Benefits	91,602
Water & Soil Sample Expense	20,685
Disposal Fees	13,792
Leachate Disposal Expense	25,360
Repairs and Maintenance	87,037
Gravel	26,832
Custodial Expense	1,800
Fuel	59,513
Equipment Rent	1,500
HHM Expense	16,852
HHM Education & Advertising	3,687
Education and Training	5,875
Tire Disposal Fees	13,970
Depreciation	146,812
Utilities	15,820
Engineering and Hydrological Study	26,668
Tonnage Fees	125,054
Advertising	1,127
Office Supplies and Services	5,533
Professional Services	21,932
Closure and Postclosure Care Costs	39,090
Miscellaneous Expenses	301
Total Operating Expense	<u>1,276,884</u>

Operating Income	982,553
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NONOPERATING REVENUES

Interest Income	34,875
Dividend Income	314
Total Non-Operating Revenues	<u>35,189</u>

Change in Net Position	1,017,742
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Net Position Beginning of Period	<u>5,169,297</u>
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Net Position End of Period	<u><u>\$ 6,187,039</u></u>
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See Accompanying Notes to Financial Statements

NORTHWEST IOWA AREA SOLID WASTE COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 2,461,183
Cash Paid to Suppliers for Goods and Services	(490,678)
Cash Paid to Employees for Services	(595,984)
Farm Income Received	1,386
Rents Received	18,000
Net Cash Provided by Operating Activities	<u>1,393,907</u>

Cash Flows from Capital & Related

Financing Activities:

Acquisition of Property and Equipment	<u>(116,016)</u>
Net Cash (Used) by Capital & Related Financing Activities	<u>(116,016)</u>

Cash Flows from Investing Activities:

Purchase of Iowa Public Agency Investment Trust	(105,196)
Purchase of Certificates of Deposit	(154,887)
Interest Received	34,049
Dividends Received	314
Net Cash (Used) in Investing Activities	<u>(225,720)</u>

Net Increase in Cash and Cash Equivalents 1,052,171

Cash and Cash Equivalents - Beginning of Period 1,073,087

Cash and Cash Equivalents - End of Period \$ 2,125,258

Components of Cash and Cash Equivalents - End of Period:

Cash and Cash Equivalents - Undesignated	\$ 2,005,439
Cash and Cash Equivalents - Restricted	119,819
	<u><u>\$ 2,125,258</u></u>

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income	\$ 982,553
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	146,812
(Increase) Decrease in:	
Accounts Receivable	221,132
Prepaid Expenses	1,391
Deferred Outflow of Resources	(53,332)
Increase (Decrease) in:	
Accrued Solid Waste Fee	(20,780)
Accounts Payable	48,377
Salaries and Benefits Payable	(151)
Accrued Property Taxes	18
Compensated Absences	(7,598)
Landfill Closure and Postclosure Care	39,090
Deferred Inflows of Resources	(14,927)
Net Pension Liability	51,322
Total Adjustments	<u>411,354</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,393,907</u></u>

NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northwest Iowa Area Solid Waste Agency is an intergovernmental organization organized under the provisions of chapter 28E of the laws of the State of Iowa for the purpose of providing for the economic disposal and recycling of solid waste generated within each member municipality located in a five county area. Admission to the Agency is on a voluntary basis, with new members being approved by the existing Board of Directors. The Agency also provides disposal services to private contractors. The Agency, being an intergovernmental organization, is exempt from income taxes.

The Agency's financial Statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Northwest Iowa Area Solid Waste Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Northwest Iowa Area Solid Waste Agency are organized as a single business-type activity. Business-Type activities are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash, Cash Equivalents and Investments

The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the date of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2016, include certificates of deposit of \$1,179,811.

E. Restricted Investments

Funds set aside for payment of closure and post closure care costs are classified as restricted.

F. Capital Assets

Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reported capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Building and Improvements	\$ 1,000
Equipment and Vehicles	\$ 500

Capital assets of the Agency are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	15-25
Land and Building Improvements	7-10
Equipment and Vehicles	5-7
Landfill cell development	Landfill capacity used

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2016.

G. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment only upon termination, death or retirement. The Agency's liability for accumulated vacation, including applicable employee benefits, has been computed based on rates of pay in effect at June 30, 2016.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Note 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Agency's deposits at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency's investments at June 30, 2016 were as follows:

	<u>Carrying Amount</u>	<u>Market Amount</u>
2016 Iowa Public Agency Investment Trust	<u>\$ 892,088</u>	<u>\$ 892,088</u>

In addition, the Agency's investment in the Iowa Public Agency Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Agency does have a formal investment policy that limits the investment maturities as a means of managing its exposure. Information about the exposure of the Agency's debt type

Type of Investment	Fair Value	Less than 1 Year	1-5 Years
Certificates of Deposits	\$ 1,179,811	\$ -	\$ 1,179,811

Note 3 – CAPITAL ASSETS

A summary of capital assets at June 30, 2016 as follows:

	Beginning Balance	Additions	Deletions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 183,046	\$ -	\$ -	\$ 183,046
Total Capital Assets Not Depreciated	183,046	-	-	183,046
Capital Assets Being Depreciated				
Land Improvements	1,490,734	5,948	-	1,496,682
Buildings	812,141	-	-	812,141
Equipment	2,214,453	107,902	-	2,322,355
Office Equipment and Furniture	35,018	2,165	-	37,183
Total Capital Assets Being Depreciated	4,552,346	116,015	-	4,668,361
Less Accumulated Depreciation For:				
Land Improvements	324,546	55,900	-	380,446
Buildings	564,390	25,953	-	590,343
Equipment	2,045,870	64,748	-	2,110,618
Office Equipment	34,645	211	-	34,856
Total Accumulated Depreciation	2,969,451	146,812	-	3,116,263
Total Capital Assets Being Depreciated, Net	1,582,895	(30,797)	-	1,552,098
Total Capital Assets, Net	\$ 1,765,941	\$ (30,797)	\$ -	\$ 1,735,144

Note 4 – PENSION AND RETIREMENT BENEFITS

Plan Description

IPERS membership is mandatory for employees of the Agency, except those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 4 – PENSION AND RETIREMENT BENEFITS (Continued)

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules there under. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit include

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and

Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 4 – PENSION AND RETIREMENT BENEFITS (Continued)

unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Agency contributed 8.93 percent for a total rate of 14.88 percent.

The Agency's total contributions to IPERS for the year ended June 30, 2016 were \$36,313.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Agency reported a liability of \$291,253 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the Agency's collective proportion was 0.005928 percent which was a decrease of 0.000069 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Agency recognized pension expense of \$19,376. At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,400	\$ -
Changes of assumptions	8,019	-
Net difference between projected and actual earnings on pension plan investments	43,577	67,817
Changes in proportion and differences between Utility contributions and proportionate share of contributions	-	8,759
Utility contributions subsequent to the measurement date	36,313	-
Total	\$ 92,309	\$ 76,576

\$36,313 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 4 – PENSION AND RETIREMENT BENEFITS (Continued)

Year Ended	
June 30, 2016	
2017	\$ (10,600)
2018	(10,600)
2019	(10,600)
2020	11,216
2021	4
	<u>\$ (20,580)</u>

There were no non-employer contributing entities at IPERS.

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions

Rate of Inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 4 – PENSION AND RETIREMENT BENEFITS (Continued)

Asset Class	Asset Allocation	Long Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24%	6.29%
International equity	16%	6.75%
Private equity/debt	11%	11.32%
Real estate	8%	3.48%
Credit opportunities	5%	3.63%
U.S. TIPS	5%	1.91%
Other real assets	2%	6.24%
Cash	1%	-0.71%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

Agency's Proportionate share of the net pension Liability	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
	\$ 509,929	\$ 291,253	\$ 16,672

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2016, the Agency has paid all legally required employee and employer contributions to IPERS.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 5 – RISK MANAGEMENT

Northwest Iowa Area Solid Waste Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

Northwest Iowa Area Solid Waste Agency's property and casualty contributions to the risk pool are recorded as expenditures from its fund at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2016 was \$29,902.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Association's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Association's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims exceeds the amount of risk-sharing protection provided by member's risk-sharing certificate, or in the event of casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the Agency's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member. Members withdrawing within the first six years of

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 5 – RISK MANAGEMENT (Continued)

membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following the withdrawal.

The Agency also carries commercial insurance for all other risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 6 – SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2016, the unspent amounts retained by the Agency and restricted for the required purposes totaled \$119,819.

Note 7 – MAJOR CUSTOMERS

For the period ending June 30, 2016, three customers accounted for 40% of total operating revenue.

Name	Amount	Percent
Orange City Sanitation	\$ 385,079	17%
Brommer	325,987	14%
Town & County	210,066	9%

Note 8 – RELATED PARTIES

The Agency collects gate fees in the normal course of business from solid waste carriers who also serve on the Agency's Board. Following is a summary:

Name and Title	Description	2016
Les Brommer-Sioux Center Representative, Owner of Brommer Truck Line	Executive Board	
	Gate & Solid Waste Fees	\$ 325,987
	Accounts Receivable	30,962
William Honkomp, Ashton Representative	Full Board	
	Gate & Solid Waste Fees	\$ 32,580
	Accounts Receivable	2,821

Note 9 – CLOSURE AND POSTCLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/post closure plan and to provide funding necessary to effect closure and post closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year post closure care requirements for all municipal solid

NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 9 – CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in post closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently, and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the Northwest Iowa Area Solid Waste Agency have been estimated at \$3,578,774 as of June 30, 2016 and the portion of the liability that has been recognized is \$1,445,274. These amounts are based on what it would cost to perform all closure and post closure care during the year ended June 30, 2016. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 62 years and the capacity used at June 30, 2016 is approximately 40 percent.

Chapter 455B.306(9) (b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post closure care accounts to accumulate resources for the payment of closure and post closure care costs. The Agency has begun accumulating resources to fund these costs, and as of June 30, 2016, assets of \$1,879,986 are restricted for these purposes. They are reported as restricted investments and restricted net assets on the Statement of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and post closure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism, the government guarantee and financial test. Under these mechanisms, the Agency must certify the following to the Iowa Department of Natural Resources:

The fund is dedicated by local government statute as a reserve fund.

Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.

Annual deposits to the fund are determined by the following formula:

$$\frac{NP=CE-CB}{Y}$$

NP=next payment

CE= total required financial assurance

CB=current balance of the fund

Y=number of years remaining in the pay-in period

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 9 – CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

Chapter 567-113.14(8) of the IAC allows the Agency to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and post closure care account requirements. Accordingly, the Agency is not required to establish closure and post closure care account in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Chapter 567-113.14(6)(h) of the IAC allows a landfill to choose the local government guarantee to demonstrate financial assurance. The guarantee must be a written guarantee jointly provided by the members of the 28E organization.

Chapter 567-113.14(6)(f) of the IAC allows a landfill to utilize the local government financial test to demonstrate financial assurance.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE LAST TWO YEARS
JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
Agency's Proportion of the net position liability (asset)	0.005859%	0.005928%
Agency's proportionate share of the net pension liability	\$ 291,253	\$ 239,931
Agency's covered-employee payroll	\$ 406,641	\$ 403,875
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.62%	59.41%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for the fiscal year were determined as of June 30 of the preceding year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full year 10-year trend is compiled, the Agency will present information for those years for which information is available.

See Accompanying Independent Auditor's Report

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF THE AGENCY'S CONTRIBUTIONS
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 36,313	\$ 36,066	\$ 35,352	\$ 34,494	\$ 32,401
Contribution in relation to the statutorily required contribution	<u>(36,313)</u>	<u>(36,066)</u>	<u>(35,352)</u>	<u>(34,494)</u>	<u>(32,401)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's covered-employee payroll	\$ 406,641	\$ 403,875	\$ 395,879	\$ 397,855	\$ 401,499
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Statutorily required contribution	\$ 26,830	\$ 24,244	\$ 22,474	\$ 22,207	\$ 18,545
Contribution in relation to the statutorily required contribution	<u>(26,830)</u>	<u>(24,244)</u>	<u>(22,474)</u>	<u>(22,207)</u>	<u>(18,545)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's covered-employee payroll	\$ 386,043	\$ 364,571	\$ 353,921	\$ 367,058	\$ 322,522
Contributions as a percentage of covered-employee payroll	6.95%	6.65%	6.35%	6.05%	5.75%

See Accompanying Independent Auditor's Report

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2016**

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of Northwest
Iowa Area Solid Waste Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwest Iowa Area Solid Waste Agency, as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northwest Iowa Area Solid Waste Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northwest Iowa Area Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northwest Iowa Area Solid Waste Agency's internal control.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northwest Iowa Area Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had

an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Northwest Iowa Area Solid Waste Agency's Response to Findings

Northwest Iowa Area Solid Waste Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The Northwest Iowa Area Solid Waste Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Northwest Iowa Area Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams + Company, P.C.
Certified Public Accountants

Spencer, Iowa
November 7, 2016

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016**

Part I: Summary of the Independent Auditors' Results:

- (A) An unmodified opinion was issued on the financial statements.
- (B) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any noncompliance which could have a material effect on the financial statement accounts.

Part II: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

2016-001 Financial Reporting

Criteria – The Agency is responsible for the accuracy and correct reporting of the financial statements.

Condition - During the audit, we identified material amounts of Solid Waste Fees that were not recorded properly in the Agency's financial statements.

Effect – Prior to the journal entry recorded by management, revenues were overstated on the financial statements and expenses were overstated.

Recommendation – The Agency should implement procedures to ensure all revenues and expenses are properly recorded.

Response – We will continue to improve procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion - Response accepted.

2016-002 Segregation of Duties

Criteria – The Agency is responsible for the establishment of adequate segregation of duties to help prevent losses from employee error or dishonesty and, therefore, maximizing the accuracy of the Agency's financial statements.

Condition - While performing our review, it was determined that incompatible duties are being performed by the same employee in all areas of transaction processing.

Effect – As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period. Internal controls that are in place could be averted, overridden, or not consistently implemented.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff or Board members.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016**

2016-002 **Segregation of Duties (Continued)**

Response – The Agency feels that additional personnel would not be cost effective. However, management and the Board will review procedures and investigate available alternatives.

Conclusion - Response accepted.

Part III: Other Findings Related to Statutory Reporting

- 16-III-A: Official Depositories** – The Board of Trustees has approved a resolution naming official depositories. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2016.
- 16-III-B: Questionable Expenses** – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 16-III-C: Travel Expenses** – No expenditures of money for travel expenses of spouses of Agency's officials or employees were noted.
- 16-III-D: Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 16-III-E: Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Northwest Iowa Area Solid Waste's investment policy were noted.
- 16-III-F: Solid Waste Tonnage Fees Retained** – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- 16-III-G: Financial Assurance** – The Agency has demonstrated financial assurance for closure and post-closure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Closure & Post Closure
Total estimated costs for closure and post closure care	\$ 3,578,774
Less: Balance of funds held in the local dedicated fund at June 30, 2015	(1,733,884)
	<u>1,844,890</u>
Divided by the number of years remaining in the pay-in period	<u>62.28</u>
Required payment into the local dedicated fund for the year ended June 30, 2016	\$ 29,623
Balance of funds held in the local dedicated fund at June 30, 2015	<u>1,733,884</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2016	<u>\$ 1,763,507</u>
Amount Agency has restricted for closure and postclosure care at June 30, 2016	<u><u>\$ 1,879,986</u></u>